

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

Re: AC# 3-OKB-J7 – GranCare South Carolina, d/b/a Oakbrook Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**GRANCARE SOUTH CAROLINA,  
D/B/A OAKBROOK HEALTHCARE CENTER**

**SUMMERVILLE, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-OKB-J7**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1998	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 1998 THROUGH NOVEMBER 30, 1998	B-1	4
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS DECEMBER 1, 1998 THROUGH SEPTEMBER 30, 1999	B-2	5
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1997	C	6
ADJUSTMENT REPORT	1	8
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

September 13, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GranCare South Carolina, d/b/a Oakbrook Healthcare Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GranCare South Carolina, d/b/a Oakbrook Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GranCare South Carolina, d/b/a Oakbrook Healthcare Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
September 13, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**OAKBROOK HEALTHCARE CENTER**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-OKB-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$92.42	\$93.17
Adjusted reimbursement rate	<u>85.26</u>	<u>86.01</u>
Decrease in reimbursement rate	\$ <u>7.16</u>	\$ <u>7.16</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**OAKBROOK HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-OKB-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$33.30	\$46.64	
Dietary		7.98	9.93	
Laundry/Housekeeping/Maint.		<u>7.67</u>	<u>8.11</u>	
Subtotal	\$ <u>4.53</u>	48.95	64.68	\$48.95
Administration & Med. Rec.	\$ <u>-</u>	<u>15.87</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		64.82	<u>\$75.58</u>	59.85
<u>Costs Not Subject to Standards:</u>				
Utilities		2.62		2.62
Special Services		3.43		3.43
Medical Supplies & Oxygen		3.88		3.88
Taxes and Insurance		2.27		2.27
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$77.02</u>		72.05
Inflation Factor (3.60%)				2.59
Cost of Capital				8.62
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.78)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$85.26</u>

### OAKBROOK HEALTHCARE CENTER

Computation of Adjusted Reimbursement Rate  
For the Contract Periods December 1, 1998 Through September 30, 1999  
AC# 3-OKB-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
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General Services		\$33.30	\$46.64	
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Taxes and Insurance		2.27		2.27
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$77.02</u>		72.05
Inflation Factor (3.60%)				2.59
Cost of Capital				8.62
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.53
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.78)
Minimum Wage and CNA Add-Ons				<u>1.00</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$86.01</u>



**OAKBROOK HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OKB-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,067,428	\$ -	\$ 314 (1) 11,612 (3) 11,685 (4) 6,230 (8)	\$1,037,587
Dietary	248,582	-	-	248,582
Laundry	68,373	-	-	68,373
Housekeeping	74,070	-	-	74,070
Maintenance	96,774	-	140 (9)	96,634
Administration & Medical Records	485,817	7,218 (3) 3,029 (3)	1,510 (9)	494,554
Utilities	80,182	1,365 (3)	-	81,547
Special Services	106,847	115 (9)	-	106,962
Medical Supplies & Oxygen	216,697	-	10,672 (5) 3,239 (6) 11,353 (7) 70,695 (9)	120,738
Taxes & Insurance	70,620	-	-	70,620
Legal Fees	-	-	-	-

**OAKBROOK HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OKB-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	362,450	1,576 (10)	1,844 (1)	268,531
			<u>93,651 (2)</u>	
Subtotal	2,877,840	13,303	222,945	2,668,198
Ancillary	215,562	-	-	215,562
Non-Allowable	1,461,147	2,158 (1)	1,576 (10)	1,670,789
		93,651 (2)		
		11,685 (4)		
		10,672 (5)		
		3,239 (6)		
		11,353 (7)		
		6,230 (8)		
		<u>72,230 (9)</u>		
Total Operating Expenses	<u>\$4,554,549</u>	<u>\$224,521</u>	<u>\$224,521</u>	<u>\$4,554,549</u>
Total Patient Days	<u>31,156</u>	<u>-</u>	<u>-</u>	<u>31,156</u>
Total Beds	<u>88</u>			

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-OKB-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 26,003	
	Other Equity	7,985	
	Nonallowable	2,158	
	Fixed Assets		\$ 33,988
	Restorative		314
	Cost of Capital		1,844
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	93,651	
	Cost of Capital		93,651
	To remove amortization expense related to organization cost and early debt extinguishment State Plan, Attachment 4.19D		
3	Administration	7,218	
	Medical Records	3,029	
	Utilities	1,365	
	Nursing		11,612
	To reclassify expense to the proper cost center DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
4	Nonallowable	11,685	
	Nursing		11,685
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
5	Nonallowable	10,672	
	Medical Supplies		10,672
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		

**OAKBROOK HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-OKB-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
6	Nonallowable Medical Supplies	3,239	3,239
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
7	Nonallowable Medical Supplies	11,353	11,353
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
8	Nonallowable Nursing	6,230	6,230
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
9	Special Services	115	
	Nonallowable	72,230	
	Maintenance		140
	Administration		1,510
	Medical Supplies		70,695
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
10	Cost of Capital Nonallowable	1,576	1,576
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$258,509</u>	<u>\$258,509</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**OAKBROOK HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OKB-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	224,152
Accumulated Depreciation at 9/30/97	<u>(877,861)</u>
Deemed Depreciated Value	2,344,363
Market Rate of Return	<u>.067</u>
Total Annual Return	157,072
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	157,072
Depreciation Expense	112,678
Amortization Expense	-
Capital Related Income Offsets	(1,219)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	268,531
Total Patient Days (Minimum 97% Occupancy)	<u>31,156</u>
Cost of Capital Per Diem	\$ <u><u>8.62</u></u>

**OAKBROOK HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-OKB-J7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 7.79
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>11.78</u>
Reimbursable Cost of Capital Per Diem	\$ 8.62
Cost of Capital Per Diem	<u>8.62</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>